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C O N F I D E N T I A L SANAA 000481

SIPDIS

PASS TO ADVOCACY CENTER/CHRISTOPHER JAMES. HELSINKI - PASS  
TO FCS/ROBERT PEASLEE. RIYADH - PASS TO FCS/ NANCY  
CHARLES-PARKER. DUBAI - PASS TO FCS. USDOC - PASS TO  
ITA/TYLER HOFFMAN. STATE - PASS TO USTR/JASON BUNTIN

E.O. 12958: DECL: 02/28/2016  
TAGS: [FAIR](#) [ECON](#) [KTDB](#) [YM](#) [ECON](#) [COM](#)  
SUBJECT: AIRBUS LIKELY TO EDGE OUT BOEING FOR YEMENIA DEAL

REF: A. SANAA 3032 B. JEDDAH 4638 C. SANAA 3198 D.  
SANNA 3423

Classified By: Ambassador Thomas C. Krajieski for reason 1.4s (b) and (d  
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11. (C) SUMMARY: Ambassador met with Captain Abdulhamid Al-Qadi, Chairman and CEO of Yemenia Airlines, the national airline of Yemen, on February 13, to make another push for Boeing in its contest against Airbus for the purchase of ten new airplanes (ref D). Ambassador reminded Al-Qadi that EXIM funds may be available to finance the Boeing deal. Al-Qadi was appreciative of the prospect of receiving EXIM financing for the Boeing purchase. He indicated, however, that the Airbus offer still appeared to be in the best financial interests of Yemenia. Al-Qadi anticipated that Yemenia would make its final decision on February 26. As of February 27, however, Yemenia had yet to make a decision. END SUMMARY.

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Airbus Looks Better to Us  
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2.(C) Al-Qadi said that the Airbus is a better financial deal as it requires only a 15% down payment as opposed to a 30% down payment to Boeing. Airbus is willing to forgive \$60 million of the lease amount remaining on the Airbus A310s as opposed to Boeing's offer to refinance the lease at \$50 million over 5 years with interest. Ambassador reminded Al-Qadi that the Boeing 787 would modernize the Yemenia fleet and be more cost effective due to greater fuel efficiency and greater passenger capacity. Al-Qadi disagreed stating that the Airbus A-350 is a sufficiently modernized plane for Yemenia's needs.

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Back to Boeing  
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13. (C) Ambassador met with Ehab Shihabi of Boeing Capital Corporation, on February 15, and told Boeing that Yemenia was possibly leaning toward the Airbus offer, primarily due to the lower down-payment and the alleged opportunity to waive the A-310 lease payments in arrears. Boeing suspects that the partial lease "forgiveness" may be illusory with the amount being reapplied to the back end of the purchase price for the new aircraft. Shihabi stated that EXIM's involvement in the financing represents an added plus for Yemenia and Yemen in general. He asked the Ambassador to contact EXIM and reiterate his support for Boeing's offer and encourage EXIM to finance the deal (Note: Ambassador contacted EXIM on February 25 to encourage their support).

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No Decision Yet, but.....  
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4.(C) On February 27, Mr. Khaled Alhiyami, General Manager of Yemenia in Hodeidah, contacted Post and stated that the Yemenia Board did not reach a final decision during their February 26 Board meeting. He did say, however, that the general impression among the Board members is that Airbus will be awarded the contract.

15. COMMENT: It is most likely that Airbus will be awarded this contract in spite of the superiority of the Boeing product and the fact the Boeing deal is the most cost-effective choice for Yemenia in the long run. Unfortunately, it is becoming increasingly clear in the competition for contracts in Yemen, that tenders are awarded based upon immediate financial benefits and not quality, past performance or credibility of competitors. Post will update Department and Commerce on further developments in this case. END COMMENT.  
Krajieski